

FINANCIAL STATEMENTS

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1

d/b/a

LADY OF THE SEA GENERAL HOSPITAL

JUNE 30, 2010 AND 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

3/6/11

FINANCIAL STATEMENTS

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

JUNE 30, 2010 AND 2009

TABLE OF CONTENTS

	<u>STATEMENT</u>	<u>PAGE</u>
Independent Auditor's Report		1 - 2
Statement of Net Assets	A	3 - 4
Statement of Activities	B	5
Statement of Cash Flows	C	6
Notes to the Financial Statements		7 - 17

	<u>SCHEDULE</u>	
Supplemental Information:		
Patient Service Revenues	1	18
Other Operating Revenues	2	19
Salaries by Department	3	20
Employee Benefits	4	21
Purchased Service by Department	5	22
Supplies and Other Expenses by Department	6	23
Governing Board Expenses	7	24
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards		25 - 26
Schedule of Findings and Questioned Costs and Management's Corrective Action Plan		27 - 28
Schedule of Prior Year Findings		29

**LANGLINAIS  
BROUSSARD &  
KOHLBERG**

A Corporation of Certified Public Accountants



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**INDEPENDENT AUDITOR'S REPORT**

Chairman and Board of Commissioners  
Lafourche Parish Hospital Service District No. 1  
d/b/a Lady of the Sea General Hospital  
Galliano, Louisiana

We have audited the financial statements of Lafourche Parish Hospital Service District No. 1, d/b/a Lady of the Sea General Hospital (a component unit of the Lafourche Parish Council) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Hospital's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lady of the Sea General Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

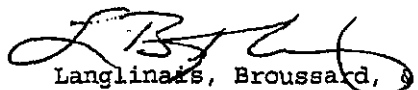
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lady of the Sea General Hospital as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2010, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

The Hospital has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Sincerely,



Langlina's, Broussard, & Kohlenberg  
A Corporation of Certified Public Accountants

December 7, 2010

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

ASSETS

	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	-	1,194,396
Investments	6,738,644	2,860,992
Assets whose use is limited	160,000	155,000
Accounts receivable, net of estimated uncollectibles of \$1,270,614 in 2010 and \$1,716,669 in 2009, respectively	6,281,687	4,558,923
Due from third party payors	1,089,795	1,364,831
Inventories	579,229	549,809
Prepaid expenses	344,149	358,429
 Total Current Assets	 <u>15,193,504</u>	 <u>11,042,380</u>
 <b>ASSETS WHOSE USE IS LIMITED:</b>		
Internally designated for funded depreciation	1,536,244	1,486,760
By board for indenture reserves	84,699	38,334
 Total Assets Whose Use is Limited	 <u>1,620,943</u>	 <u>1,525,094</u>
 Less: Amounts required to meet current obligations	 <u>150,000</u>	 <u>155,000</u>
 Total noncurrent assets whose use is limited	 <u>1,450,943</u>	 <u>1,370,094</u>
 <b>PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment (net of accumulated depreciation)	 <u>7,582,931</u>	 <u>8,067,569</u>
 <b>OTHER ASSETS:</b>		
Other receivables, net of estimated uncollectibles of \$ 323,499 and \$ 323,499 respectively	302,511	561,889
Unamortized bond costs	18,157	19,846
Other assets	246,264	235,994
 Total other assets	 <u>566,932</u>	 <u>817,729</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 24,804,310</u>	 <u>\$ 21,297,772</u>

## STATEMENT A

JUNE 30,

LIABILITIES AND NET ASSETS

	2010	2009
<b>CURRENT LIABILITIES</b>		
Overdraft	\$ 21,318	\$ -
Current portion of long-term debt	2,260,000	155,000
Credit balances	126,640	247,739
Accounts payable	512,208	985,907
Accrued salaries and related withholdings	791,043	671,729
Interest payable	579,853	407,655
Other current liabilities	131,607	158,481
Total Current Liabilities	<u>4,422,669</u>	<u>2,626,511</u>
 <b>LONG-TERM LIABILITIES:</b>		
FEMA Community Disaster Loan	4,995,092	4,473,635
Bonds payable	<u>2,295,000</u>	<u>2,455,000</u>
Total Long-Term Liabilities	<u>7,290,092</u>	<u>6,928,635</u>
 <b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,127,931	5,457,569
Restricted net assets	1,620,943	1,525,094
Unrestricted net assets	<u>6,342,675</u>	<u>4,759,963</u>
TOTAL NET ASSETS	<u>13,091,549</u>	<u>11,742,626</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 24,804,310</u>	 <u>\$ 21,297,772</u>

The accompanying notes are an integral part of these financial statements

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT B

STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30,

	2010	2009
OPERATING REVENUES:		
Net patient service revenues	\$ 29,186,768	\$ 27,176,644
Other operating revenue	533,191	708,074
Total Operating Revenues	<u>29,719,959</u>	<u>27,884,718</u>
OPERATING EXPENSES:		
Salaries	10,889,685	9,893,686
Employee benefits	3,393,977	3,359,340
Purchased services	4,852,322	6,176,580
Supplies and other	7,396,258	7,343,248
Depreciation and amortization	866,619	1,216,451
Provision for doubtful accounts	<u>2,314,797</u>	<u>2,749,204</u>
Total Operating Expenses	<u>29,713,658</u>	<u>30,738,509</u>
INCOME (LOSS) FROM OPERATIONS	<u>6,301</u>	<u>(2,853,791)</u>
NON-OPERATING REVENUES (EXPENSES):		
Income on investments whose use is limited:		
Internally designated for funded depreciation	61,710	66,853
Indenture agreement and board for indenture reserves	630	352
Interest income	15,309	55,425
Interest expense	(299,223)	(259,203)
Taxes:		
Bond - restricted to bond retirement fund	308,307	285,643
Maintenance - net	1,254,251	1,174,752
Gain on disposal of assets	<u>1,638</u>	<u>16,716</u>
Total non-operating revenues (expenses)	<u>1,342,622</u>	<u>1,340,538</u>
CHANGE IN NET ASSETS	<u>1,348,923</u>	<u>(1,513,253)</u>
TOTAL NET ASSETS, BEGINNING	<u>11,742,626</u>	<u>13,255,879</u>
TOTAL NET ASSETS, ENDING	<u>\$ 13,091,549</u>	<u>\$ 11,742,626</u>

The accompanying notes are an integral part of these financial statements

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT C

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from and on behalf of patients	\$ 27,870,555	\$ 26,645,826
Payments to suppliers	(16,660,609)	(17,892,550)
Payments to employees and for employee related costs	(11,882,583)	(10,883,518)
Net Cash Flow from Operating Activities	(672,637)	(2,130,242)
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Ad valorem taxes - debt service	308,307	285,643
Ad valorem taxes - maintenance	1,254,251	1,174,736
Net Cash Used in Non Capital Financing Activities	1,562,558	1,460,379
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Interest paid on long-term debt	(299,223)	(259,203)
Proceeds from borrowing	2,621,457	-
Repayment of long-term debt	(155,000)	(145,000)
Net Cash Provided in Capital and Related Financing Activities	2,167,234	(404,203)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of capital asset	(378,655)	(423,666)
Proceeds from disposition of assets	1,638	21,554
Investment income	77,649	122,623
Sale of investment	-	2,305,000
Purchase of investments	(3,973,501)	(92,738)
Net Cash Provided (Used) in Investing Activities	(4,272,869)	1,932,773
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,215,714)	858,707
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,194,396	335,689
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ (21,318)	\$ 1,194,396
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 6,301	\$ (2,853,791)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation and amortization	866,619	1,216,451
Share of loss (gain) on investment in cath lab	-	(4,799)
Provision for bad debts	2,314,797	2,749,204
Gain on disposition of assets	(1,638)	(16,714)
Increase in receivables	(4,158,660)	(1,709,324)
Decrease (Increase) in due from third party payors	275,036	(1,016,271)
Decrease (Increase) in other receivables	259,379	(261,968)
Decrease (Increase) in inventories and prepaids	(15,140)	28,154
Increase in other assets	(10,270)	(58,159)
Decrease in accounts payable and accrued expenses	(182,187)	(247,880)
Increase (Decrease) in other current liabilities	(26,874)	44,855
Net cash used in operating activities	\$ (672,637)	\$ (2,130,242)



**LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1**  
**d/b/a LADY OF THE SEA GENERAL HOSPITAL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** Lafourche Parish Hospital Service District No. 1, d/b/a Lady of the Sea General Hospital (Hospital), is an acute care facility created pursuant to Louisiana Revised Statutes of 1950, Title 46, Chapter 10, and Ordinance No. 863 of Lafourche Parish Council adopted January 27, 1953. It is the Hospital's mission to provide its community with high quality care and education in a friendly, caring and professional manner.

The administration of the Hospital is governed by a Board of Commissioners consisting of five members appointed by the Lafourche Parish Council in accordance with the terms of office set forth in Louisiana Revised Statute 46:1053 and in Section 24:300 (C) of Sub-Chapter "G" of the Code of Ordinance of the Lafourche Parish Council.

As the governing authority of the parish, for reporting purposes, the Lafourche Parish Council is the financial reporting entity for Lafourche Parish. The financial reporting entity consists of (a) the primary government (Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
  - a. the ability of the Council to impose its will on that organization and/or
  - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. An organization for which the Council does not appoint a voting majority but is fiscally dependent on the Council.
3. An organization for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Council appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital was determined to be a component unit of the Lafourche Parish Council. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the police jury, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

**Accounting Standards.** The financial statements of the Hospital have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including

LAFORCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(cont)

those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

**Proprietary Fund Accounting.** The Hospital utilizes the proprietary fund method of accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Substantially all revenues and expenses are subject to accrual.

**Cash and Cash Equivalents.** Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements, or with third-party payors.

**Assets Whose Use is Limited.** Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

**Inventory.** Inventory is valued at the lower of cost or market using the first-in, first-out method.

**Capital Assets.** Capital assets are carried at cost or, if donated, at fair value at date of donation. Capital Assets are defined by the Hospital as assets with an initial individual cost of more than \$5,000 and an initial useful life of three years or greater. Depreciation is computed by the straight-line method over the assets' estimated useful lives generally ranging from 3 to 40 years.

**Net Assets.** Net assets represent the difference between assets and liabilities. Net asset classifications are defined as follows:

**Invested in Capital Assets, Net of Related Debt** consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

**Restricted Net Assets** are reported as restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

**Costs of Borrowing.** Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

**LAFORCHE PARISH HOSPITAL SERVICE DISTRICT NO.1**  
**d/b/a LADY OF THE SEA GENERAL HOSPITAL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(cont)**

**Investments.** Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Statement No. 31,

**Accounting and Financial Reporting for Certain Investments and for External Investment Pools.** Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheets. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in non-operating income. Investments in associated companies are accounted for by the equity method of accounting under which the Hospital's share of the net income of the associated companies is recognized as income in the Hospital's statement of activities and added to the investment account. Dividends and distributions received from the associated companies are treated as a reduction of the investment account. The Hospital has interests in a company that operates a catheter lab as detailed in Note 11.

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

**Net Patient Service Revenue and Related Receivables.** Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances.

Patient receivables are carried at original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient receivables are written off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

**Non-Direct Response Advertising.** The Hospital expenses advertising costs as incurred.

**Compensated Absences.** Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of accrued salaries and benefits on the Hospital's Statement of Net Assets for June 30, 2010 and 2009, was \$ 363,402 and \$ 315,358, respectively.

**Grants and Contributions.** From time to time, the Hospital receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all of the eligibility requirements, including time requirements are met. Grants

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(cont)

and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

**Unamortized Bond Costs.** Unamortized bond costs represent the cost of debt issuance and are being amortized over the term the related debt is outstanding.

**Operating Revenues and Expenses.** The Hospital's Statement of Activities distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**NOTE 2: MAJOR SOURCE OF REVENUE**

The Hospital participated in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 40% and 40% of its gross patient service revenue for June 30, 2010 and 2009, respectively, from patients covered by the Medicare and Medicaid programs. Included in net patient service revenues for June 30, 2010 and 2009, is additional reimbursement for Medicaid Uncompensated Care Adjustments of \$1,998,020 and \$1,744,198, respectively. This amount is subject to audit by the State of Louisiana.

**NOTE 3: NET PATIENT SERVICE REVENUE**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows:

**Medicare** - The Hospital is paid for inpatient and outpatient services rendered to Medicare program beneficiaries under cost based reimbursement methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The retrospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform

**LAFORCHE PARISH HOSPITAL SERVICE DISTRICT NO.1**  
**d/b/a LADY OF THE SEA GENERAL HOSPITAL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**NOTE 3: NET PATIENT SERVICE REVENUE (cont)**

such reviews. The Hospital files a year end cost report with Medicare to determine final settlement. This cost report is subject to audit by the Medicare fiscal intermediary.

The Hospital was paid for inpatient psychiatric care services rendered to Medicare program beneficiaries under cost reimbursement methodologies through December 2004 and is subject to cost report settlement. The Hospital was paid under a blend of prospectively determined rates-per-discharge and cost based reimbursement thereafter. This cost report is also subject to audit.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2007.

**Medicaid** - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2007.

The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges and prospectively determined daily rates.

**NOTE 4: PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, by major category, is as follows at June 30, 2010:

	Asset Life In Years	Beginning Balance	Additions	Deletions	Ending Balance
Land		\$ 387,493	\$ -	\$ -	\$ 387,493
Land Improvements	10 - 20	263,858	-	-	263,858
Building	10 - 40	11,053,699	-	(4,541)	11,049,158
Fixed Equipment	15 - 20	1,398,020	-	-	1,398,020
Major Movable Equipment	5 - 20	14,354,426	271,641	(14,084)	14,611,983
Total Cost		27,457,496	271,641	(18,625)	27,710,512
Less Accumulated Depreciation		19,510,232	864,930	(18,625)	20,356,537
		7,947,264	(593,289)	-	7,353,975
Construction in Progress		120,305	108,651	-	228,956
Net Property, Plant, and Equipment		<u>\$ 8,067,569</u>	<u>\$ (484,638)</u>	<u>\$ -</u>	<u>\$ 7,582,931</u>

**NOTE 5: LONG-TERM DEBT**

Long-term debt at June 30, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
General obligation bonds, dated April 1, 2001, bearing interest ranging from .10% to 5.15%, maturing serially on March 1 of each year beginning in 2002, with interest payable March 1 and September 1 of each year beginning in 2001, with the final maturity on March 1, 2021.	\$2,455,000	\$2,610,000

**LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1**  
**d/b/a LADY OF THE SEA GENERAL HOSPITAL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**NOTE 5: LONG-TERM DEBT (cont)**

Notes payable Community Disaster Loan dated February 8, 2006, original amount of \$2,100,000, bearing interest at 2.76% per annum, maturing on February 7, 2011:	2,100,000	2,100,000
Notes payable Community Disaster Loan dated August 8, 2006, original amount of \$566,365, bearing interest at 3.00% per annum, maturing on August 7, 2011:	566,365	566,365
Notes payable Community Disaster Loan dated August 28, 2006, original amount of \$1,807,270, bearing interest at 2.93% per annum, maturing on August 27, 2011:	1,807,270	1,807,270
Notes payable Community Disaster Loan dated April 3, 2009, original amount of \$2,621,457, bearing interest at 1.875% per annum, maturing on April 2, 2014:	<u>2,621,457</u>	<u>-</u>
Total debt	9,550,092	7,083,635
Less current portion	<u>2,260,000</u>	<u>155,000</u>
Long-term portion	<u>\$7,290,092</u>	<u>\$6,928,635</u>

Scheduled repayments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2 260,000	\$ 395,610	\$2,655,610
2012	2,543,635	444,643	2,988,278
2013	185,000	103,395	288,395
2014	2,816,457	329,245	3,145,702
Remaining	<u>1,745,000</u>	<u>371,225</u>	<u>2,116,225</u>
Total	<u>\$ 9,550,092</u>	<u>\$1,644,118</u>	<u>\$11,194,210</u>

**NOTE 6: CONCENTRATIONS OF CREDIT RISK**

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at June 30, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Medicare	24%	30%
Medicaid	14	11
Commercial and other third party payors	39	36
All others	<u>23</u>	<u>23</u>
Total	<u>100%</u>	<u>100%</u>

Charity Care. The Hospital does not provide for charity care upon the admission of a patient. It is only after services have been provided, and a patient claims that he or she cannot make payment on his or her account that the Hospital may consider forgiveness of the debt under its charity policy. For the years ended June 30, 2010 and 2009, the Hospital wrote off \$ 971,988 and \$ 1,503,893, respectively, as charity expense, which is netted against its gross revenue.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 7: CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents as of June 30, 2010 and 2009, respectively, consist of the following:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	<u>\$ (21,318)</u>	<u>\$1,194,396</u>

Total interest paid by the Hospital was \$127,025 and \$133,550 for the years ended June 30, 2010 and 2009, respectively.

NOTE 8: COMMITMENTS

*Operating Leases.* The Hospital leases medical equipment and medical office space under operating lease agreements. The total rent expense for equipment leased under operating leases for June 30, 2010 and 2009, was \$537,497 and \$484,625, respectively.

*Management Services Agreement.* The Hospital has a management services agreement with an independent contractor to manage its day-to-day business operations. The management services agreement expired December 31, 2004, and the Hospital was contractually obligated to pay \$186,185 under the terms of this agreement during the calendar year then ended. The Hospital signed an extension to this agreement, which obligates the Hospital to pay a base management fee of \$215,500 in each of the calendar years 2005 through 2009. The annual fee is to be paid in equal monthly installments. Either party to the agreement may terminate the agreement without cause on or after December 31, 2007, with the provision of 90 day written notice to the other party. At the end of calendar year 2009, the Hospital hired the CFO and CEO from the management company and agreed to pay the management company \$ 20,686 a month through the end of calendar year 2010 at which time, the contract terminates.

*Employment Contracts.* The Hospital has employment contracts with multiple physicians, which expire at varying terms through 2010. These agreements generally provide for a base salary or hourly rate in return for services provided, and incentive compensation based on practice income as defined in the individual agreements. The agreements stipulate the circumstances under which termination may occur. The terms of some of the agreements, however, stipulate that in the case of termination without cause, the Hospital is obligated to provide reduced base salary payments for varying monthly periods as is defined in the agreements.

NOTE 9: DEFERRED COMPENSATION PLAN AND PENSION PLAN

The Hospital has a plan where qualifying employees may defer certain amounts of their salary. The Hospital incurs no cost under this plan.

Effective November 1, 1995, all full-time employees who had one year of continuous service are eligible to participate in the Hospital's retirement plan. Prior to November 1, 1995, full-time employees were required to have three years of continuous service in order to be eligible for the plan. The plan is a defined contribution, money purchase plan. The plan is voluntary and there is no requirement for employees to contribute to the plan. Eligible employees may contribute up to 16% of their annual salary during their first year in the plan and 20% thereafter. Part-time employees can participate in the plan, but are limited to only employee contributions. Employees are 100% vested at the time of their enrollment.

The Hospital funds the plan based on a percentage of eligible employees' annual salary. This percentage is determined by the Board, and is currently 3.25%. There is no prior funding required. The Hospital's contribution to the plan for June 30, 2010 and 2009, was \$ 273,607 and \$ 250,252, respectively.

**LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1**  
**d/b/a LADY OF THE SEA GENERAL HOSPITAL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**NOTE 10: INVESTMENT IN CATHETER LAB**

During the year ended June 30, 1999, the Hospital fulfilled its obligation in meeting its capital contribution requirement to a limited liability corporation (LLC), operating under the name of Bayou Labs of Louisiana, LLC. The members of the LLC include the Hospital, St. Anne General Hospital and Alton Ochsner Foundation. The Hospital holds a one-third interest in the LLC. During the year ended June 30, 2009 the Hospital recorded a gain of \$4,799, from the LLC. The investment is accounted for under the equity method. The LLC is a calendar year entity, whose books and records are subject to audit.

On June 18, 2008, the members of Bayou Labs of Louisiana, LLC elected to liquidate the company. This resulted in a final liquidation payment to Lady of the Sea General Hospital in the amount of \$4,799 in the year ended June 30, 2009.

**NOTE 11: CONTINGENCIES AND RISK MANAGEMENT**

The Hospital is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompass self-insurance of (1) Hospital professional liability and comprehensive general liability and (2) Statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss.

The Hospital participates in the State of Louisiana patient compensation fund (the fund). The fund provides malpractice coverage to the Hospital for claims in excess of \$100,000 up to \$500,000. According to current state law, medical malpractice liability (exclusive of future medical care awards) is limited to \$500,000 per occurrence. The management of the Hospital has no reason to believe that the Hospital will be prevented from continuing its participation in the fund.

Professional Liability. The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

Workmen's Compensation. The Hospital also participates in the Louisiana Hospital Association Self Insurance Workmen's Compensation Trust fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not practical to estimate the amount of additional assessments, if any, and the costs associated with any such assessments are treated as period expenses at the time they are assessed. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

Self-Insurance for Health Insurance. During the fiscal year ended June 30, 2004, the Hospital elected to self-insure employee and eligible dependent health claims. The self-insured claims are processed through a plan administrator. The Hospital's self insured plan has stop-loss insurance coverage for claims in excess of \$35,000 per individual per plan year and \$35,000 in the aggregate for claims in excess of the individual stop-loss. Prior to this election, the Hospital maintained commercial insurance coverage for health claims.



LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

**NOTE 11: CONTINGENCIES AND RISK MANAGEMENT (cont)**

Laws and Regulations. The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

**NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities.

Assets limited as to use: These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

Long-term debt: Fair values of the Hospital's revenue notes are based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Hospital's financial instruments at June 30, 2010 and 2009, are as follows:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ (21,318)	\$ (21,318)	\$1,194,396	\$1,194,396
Investments	\$6,738,644	\$6,738,644	\$2,860,992	\$2,860,992
Assets limited as to use	\$1,620,943	\$1,620,943	\$1,525,094	\$1,525,094
Accounts payable	\$2,014,711	\$2,014,711	\$2,223,772	\$2,223,772
Estimated third-party settlements	\$1,089,795	\$1,089,795	\$1,364,831	\$1,364,831
Long-term debt	\$7,290,092	\$7,290,092	\$6,928,635	\$6,928,635

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 13: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. At June 30, 2010 and 2009, the Hospital had bank balances as follows:

	<u>2010</u>	<u>2009</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized by securities held by the pledging financial Institutions' trust department in the hospital's name	3,708,000	3,530,000
	<u>\$3,958,000</u>	<u>\$ 3,780,000</u>
Carrying Value	<u>\$1,004,895</u>	<u>\$ 1,318,531</u>

For June 30, 2010 and 2009, respectively, investment income and gains on assets limited as to use, cash equivalents, and other investments are comprised of the following:

Interest Income	<u>\$ 62,340</u>	<u>\$ 67,205</u>
-----------------	------------------	------------------

Investments consist of certificates of deposit with financial institutions, U.S. Treasury obligations, and the Louisiana Asset Management Pool (LAMP). The fair value for these investments is not materially different from its reported amounts. Investments are categorized into three categories of credit risk:

1. Insured or registered, or securities held by the Hospital or its agent in the Hospital's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Hospital's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the Hospital's name.

At year end, the Hospital's investment balances were as follows:

	<u>Category 2</u>	<u>Carrying Market Amount</u>	<u>Value</u>
Investments	<u>\$ 6,738,644</u>	<u>\$ 6,738,644</u>	<u>\$6,738,644</u>

NOTE 14: ASSETS LIMITED AS TO USE

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Internally designated for capital acquisitions	\$ 1,536,244	\$ 1,486,760
Under Indenture Agreement	84,699	38,334
Total	<u>\$ 1,620,943</u>	<u>\$ 1,525,094</u>

**LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1**  
**d/b/a LADY OF THE SEA GENERAL HOSPITAL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**NOTE 15: COMMUNITY DISASTER LOAN**

On January 18, 2006, the Hospital was approved for a FEMA Community Disaster Loan in the amount of \$2,100,000 maturing on February 7, 2011. This loan was part of the Federal Emergency Management Agency's Special Community Disaster Loan Program. On August 6, 2006, the Hospital was approved for an additional \$ 566,365 due August 7, 2011, on August 27, 2006, \$ 1,807,270 due August 27, 2011, and on July 17, 2010, \$2,621,457 due April 2, 2014.

**NOTE 16: INVESTMENT IN LOUISIANA ASSET MANAGEMENT POOL**

The Louisiana Asset Management Pool (LAMP) is an investment pool established as a cooperative endeavor to enable public entities of the State of Louisiana to aggregate funds for investment. It is administered by Louisiana Asset Management Pool, Incorporated, a nonprofit corporation, which is managed by the Treasurer of the State of Louisiana. At year end, investments in LAMP had a market value of \$6,738,644.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULES OF PATIENT SERVICE REVENUES

FOR THE YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>
Med/Surg	\$ 2,892,231	\$ 1,832,933
ICU	423,150	325,900
Psych Unit	-	1,862,700
Laboratory	10,153,477	9,915,715
Anesthesia	970,780	1,028,163
Pharmacy	4,548,305	3,609,444
Cardiology	31,521	240,253
Radiology	13,356,884	12,340,738
Dialysis	3,801,748	2,877,785
Emergency Room	6,910,697	5,657,309
EEG	2,647,104	2,669,949
EKG	428,883	568,503
Operating Room	1,796,645	1,742,280
Observation	137,568	106,966
Home Health	842,092	811,783
Clinics	7,195,442	6,919,916
Therapy	507,202	466,843
Central Supply	513,494	299,581
<b>GROSS PATIENT SERVICE REVENUE</b>	<b>57,157,223</b>	<b>53,276,761</b>
Less Contractual Adjustments	<u>29,968,475</u>	<u>27,844,315</u>
Net Patient Service Revenue before Uncompensated Care	27,188,748	25,432,446
Medicaid Uncompensated Care	<u>1,998,020</u>	<u>1,744,198</u>
<b>NET PATIENT SERVICE REVENUE</b>	<b>\$ 29,186,768</b>	<b>\$ 27,175,644</b>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULES OF OTHER OPERATING REVENUE

FOR THE YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>
Heart Scans	\$ -	\$ 193,661
Shared Urology Income	128,891	99,261
Miscellaneous	258,880	304,623
Rental Income - Clinics	42,014	7,150
Employee Meals	38,710	38,841
Medical Records Revenue	31,385	28,776
Rebate Income	26,451	24,473
Guest Meals	6,860	6,490
Equity in Net Income (Loss) of Cath Lab	-	4,799
	<u>\$ 533,191</u>	<u>\$ 708,074</u>
Total other operating revenue		

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULES OF SALARIES

FOR THE YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>
Anesthesia	\$ 8,565	\$ 10,080
Cardiopulmonary	289,733	227,379
Rural Health Clinics	594,843	616,171
Freestanding Health Clinics	1,480,853	1,330,637
LOSMS Shared Expenses	863,864	667,175
Emergency Room	727,809	651,654
Home Health	350,000	294,928
Home Health Nursing Services	66,707	62,505
ICU	137,552	69,536
Laboratory	637,754	632,248
Medical Clinic	219,349	162,780
Medical/Surgical	883,788	816,456
ER Doctors	293,717	277,974
Operating Room	440,376	424,349
Pharmacy	293,100	309,008
Radiology	655,418	599,552
Renal Dialysis	317,750	275,570
Ultrasound	12,382	12,040
Administration	180,901	53,203
Business Office	355,759	275,088
Collections	-	115,847
Data Processing	-	13,534
Dietary	150,154	141,487
Education - Infection Control	67,088	64,766
Flex Pool - Emergency Room	35,692	33,513
General Accounting	104,070	127,161
Housekeeping	191,187	175,538
Human Resource and Risk Management	128,412	173,575
Information Technology	74,505	54,394
Insurance Processing	-	16,023
Laundry	37,224	32,788
Learning Center	86,505	85,180
Maintenance	190,266	184,968
Medical Records	269,066	244,959
Nursing Administration	361,336	378,120
Patient Relations	33,544	29,059
Public Relations	88,983	37,023
Purchasing	68,359	65,441
Utilization Review	193,074	151,977
Total salaries by department	<u>\$ 10,889,685</u>	<u>\$ 9,893,686</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULES OF EMPLOYEE BENEFITS

FOR THE YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>
Earned time off	\$ 1,091,400	\$ 1,017,426
Social security	836,686	800,871
Pension expense	273,607	250,252
Life insurance	22,023	20,827
Disability insurance	77,559	75,287
Hospitalization	961,738	1,081,455
Workers' compensation	96,951	90,122
Other	<u>34,013</u>	<u>23,100</u>
Total employee benefits	<u>\$ 3,393,977</u>	<u>\$ 3,359,340</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULES OF PURCHASED SERVICES

FOR THE YEARS ENDED JUNE 30,

	2010	2009
Medical surgical	\$ 111,836	\$ 166,938
Dialysis	42,160	38,406
ICU	248,546	325,173
Cardiology	58,333	-
Behavioral Medicine Unit	-	770,000
Lithrotripsy	48,252	50,268
Emergency room	953,974	962,371
Laboratory	173,910	166,667
Radiology	82,831	111,292
X-ray	415,006	393,323
Anesthesia	343,151	338,119
Cardiopulmonary	275,182	364,204
Rural health clinics	326,693	496,970
Medical clinic	-	15
Operating room	163,982	228,286
Outpatient rehab	158,037	137,349
Inpatient psych	-	80,000
Speech therapy	47,879	75,085
Home health	60,695	73,595
Maintenance	-	553
Housekeeping	1,908	1,996
Laundry	19,544	16,810
Medical records	69,570	60,190
Insurance	-	20,785
Business office	692,070	513,342
Administration	458,074	638,703
Public relations	14,455	60,818
Information technology	82,634	81,722
Utilization management	3,600	3,600
	<u>\$ 4,852,322</u>	<u>\$ 6,176,580</u>



LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULES OF SUPPLIES AND OTHER EXPENSES

FOR THE YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>
Anesthesia	\$ 41,840	\$ 56,493
Cardiopulmonary	52,319	38,653
Rural Health Clinics	394,927	399,881
Freestanding Health Clinics	585,011	540,452
Operating Room	241,599	284,315
Emergency Room	168,778	159,465
Medical Clinic	24,910	28,104
Laboratory	581,907	562,125
EEG	2,879	3,430
Radiology	731,287	475,241
Pharmacy	673,388	339,508
Home Health	99,959	109,041
Outpatient Rehab	21,866	32,496
Dialysis	644,159	591,099
ICU	9,919	10,729
Cardiology	-	17,258
Behavioral Medicine Unit	-	56,085
Administration	1,517,124	1,649,990
Nursing Administration	6,062	3,913
Education	8,210	7,708
Medical/Surgical	84,491	220,344
Utilization Management	5,770	8,369
Central Supply	41,172	44,111
Purchasing	58,108	56,801
Blood Bank	128,857	95,489
Dietary	170,091	183,412
Maintenance	601,999	803,217
Housekeeping	69,090	59,921
Laundry	11,336	9,178
Medical Records	58,532	53,618
Business Office	55,830	48,808
Data Processing	23,151	93,835
General Accounting	57,475	63,744
Human Resources	35,936	66,283
Public Relations	132,195	127,787
Information Technology	56,080	42,344
	<u>\$ 7,396,257</u>	<u>\$ 7,343,247</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULE OF GOVERNING BOARD EXPENSES

YEAR ENDED JUNE 30, 2010 AND 2009

The Board of commissioners receive no compensation for serving on the Board.



*Glen P. Langlinals, C.P.A.  
Michael P. Broussard, C.P.A.  
Chris A. Kohlenberg, C.P.A., M.B.A., M.H.A.  
Gayla L. Falcon, C.P.A.*

*Patrick M. Guldry, C.P.A.  
Ashley V. Breaux, C.P.A.  
Jonathan P. Primeaux, C.P.A., M.B.A.*

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS

Board of Commissioners  
Hospital Service District No. 1  
Parish of Lafourche  
Galliano, Louisiana

We have audited the financial statements of Hospital Service District No.1 Parish of Lafourche, d/b/a Lady of the Sea General Hospital (The Hospital) a component unit of the Lafourche Parish Police Jury, State of Louisiana, as of and for the years ended June 30, 2010 and 2009, respectively, and have issued our report thereon dated December 7, 2010.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the hospital as of and for the year ended June 30, 2010 and 2009, respectively, in accordance with auditing standards generally accepted in the United States of America, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely

basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be significant deficiencies.

#### COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". We did not audit the Hospital's responses and, accordingly, we express no opinion on it.

This report is intended for the information of the Hospital Service District No. 1 Parish of Lafourche and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG  
(A Corporation of Certified Public Accountants)

December 7, 2010

HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL  
PARISH OF LAFOURCHE  
GALLIANO, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION  
PLAN

For the year ended June 30, 2010

We have audited the financial statements of Lafourche Parish Hospital Service District No. 1, d/b/a Lady of the Sea General Hospital, a component unit of the Lafourche Parish Council, State of Louisiana, as of and for the years ended June 30, 2010 and 2009, respectively, and have issued our report thereon dated December 7, 2010.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audit of the financial statements as of June 30, 2010 and 2009, respectively, resulted in an unqualified opinion.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	Yes

Compliance:	
Compliance Material to Financial Statements	No

Section II: Financial Statement Findings

A - Issues of Noncompliance

None.

B- Significant Deficiencies and Material Weaknesses

Finding 2010-1 Preparation of GAAP Financial Statements

**Condition and Criteria:** The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

**Effect:** This represents a material weakness in the hospital's internal control system.

HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL  
PARISH OF LAFOURCHE  
GALLIANO, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION  
PLAN

For the year ended June 30, 2010

**Recommendation:** Financial reports should be prepared in accordance with accounting principles generally accepted in the United States and with standards issued by the Governmental Accounting Standards Board.

**Management Response:** Due to the small size of our accounting staff and limited financial funding, we depend on the auditing firm of Langlinais, Broussard & Kohlenberg to prepare our year end financials and cost reports.

Finding 2010-2 Segregation of Duties

**Condition and Criteria:** The hospital has several employees whose duties are not segregated.

**Effect:** This represents a material weakness in the hospital's internal control system.

**Recommendation:** The authorization of transactions and decisions, recording of those transactions, reconciliation of those transactions, and custody of assets related to those transactions should be separate functions performed by different individuals.

**Management Response:** The size of our current accounting staff along with each individual's duties limits our ability to segregate the duties of the staff.

Finding 2010-3 Vacations

**Condition and Criteria:** Continuous vacations are not mandatory for key employees.

**Effect:** This represents a material weakness in the hospital's internal control system.

**Recommendation:** Employees in key positions should be required to take a continuous one-week vacation per year with another employee cross-trained to perform their duties.

**Management Response:** With our accounting staff size, we feel mandatory vacations would put an unnecessary burden on the accounting department.

Section III: Management Letter Items

There are no management letter items at June 30, 2010.

HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL  
PARISH OF LAFOURCHE  
GALLIANO, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2010

Section I - Internal Control and Compliance Material to the Financial Statements

Finding 2009-1 Preparation of GAAP Financial Statements

The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Status: Unresolved. See Finding 2010-1.

Finding 2009-2 Segregation of Duties

The hospital has several employees whose duties are not segregated.

Status: Unresolved. See Finding 2010-2.

Finding 2009-3 Vacations

Continuous vacations are not mandatory for key employees.

Status: Unresolved. See Finding 2010-3.



General Hospital

**COMMISSIONERS:**  
**RONALD CALLAIS, Chairman**  
**BRYAN DUET, Vice-Chairman**  
**GERALD CALLAIS, R. Ph., Secretary-Treasurer**  
**PAUL CHIQUET, Member**  
**JAMIE PITRE, Member**

December 7, 2010

Langlins Broussard & Kohlenberg  
2419 Veterans Memorial Drive  
PO Box 1123  
Abbeville, LA 70511-1123

Below is Lady of the Sea General Hospital's responses to the Management letter:

Finding 2009-1 Preparation of GAAP Financial Statements

Due to the small size of our accounting staff and limited financial funding, we depend of the auditing firm of Langlins, Broussard, & Kohlenberg to prepare our year end financials and cost reports.

Finding 2009-2 Segregation of Duties

The size of our current accounting staff along with each individual's duties limits our ability to segregate the duties of the staff.

Finding 2009-3 Vacations

With our accounting staff size, we feel mandatory vacations would put an unnecessary burden on the accounting department.

Randy Tabor  
CFO